



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427



April 30, 2001

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **AUDIT REPORT ON COUNTY FISCAL OPERATIONS**

In conjunction with the annual audit of the County's financial statements, a review is made of the County's systems of financial internal control. Enclosed is the independent accounting firm's internal control report on Los Angeles County's operations for fiscal year 1999-2000. The audit report on the financial statements was previously sent to your Board.

The County departments' responses are included and recommendation implementation will be tracked as part of our established follow-up system.

Submission of this report to your Board completes the County's financial audit requirements for 1999-2000.

JTM-JN-leh
Admin\management letter
Enclosure

c: David E. Janssen
Violet Varona-Lukens
Lloyd Pellman
Audit Committee
Public Information Office



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Telephone 213 972 4000
Fax 213 622 1217

April 2, 2001

CONFIDENTIAL

The Honorable Board of Supervisors
County of Los Angeles, California

Dear Members:

We have audited the general-purpose financial statements of the County of Los Angeles, California (the County) for the year ended June 30, 2000 and have issued our reports thereon dated December 8, 2000. In planning and performing our audits of the general purpose financial statements, we considered the County's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. We have not considered the internal control structure since the date of our report.

We did not audit the financial statements of the Los Angeles County Employees' Retirement Association (LACERA) as of and for the year ended June 30, 2000. These component unit financial statements were audited by other auditors whose report thereon has been furnished to us, and our report, insofar as it relates to the amounts included for LACERA, is based solely on the report of such other auditors. In addition, the Community Development Commission of the County (CDC) was audited separately as a component unit. Accordingly, our study and evaluation of the internal control structure did not include, and the other observations reported herein do not cover LACERA or CDC.

During our audit, we noted certain matters involving the internal control structure and other operational matters that we are presenting for your consideration. These comments and recommendations, all which have been discussed with the appropriate members of County management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized in the following pages.



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a member of KPMG International, a Swiss association.



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DEPARTMENT OF PUBLIC SOCIAL SERVICES

Medi-Cal Program

During our audit of the Medicaid Program Cluster, we selected twenty-five (25) employees from the Department's Random Moment Time Study and noted that three (3) employees were not included in either the Monthly or Quarterly Job Function Code Reports. Because the employees had missing function codes, they were included in the Final Missing Function Report. This report is used by the Department to report the salary amount for each function code on the County Expense Claim. Research must be performed on each employee on the Final Missing Function Report to ascertain the correct job function code. For the month of November 1999 (the month selected for testwork), we noted the Final Missing Function Report consisted of 168 pages.

We understand that the Department is aware of the increasing amount of manual input necessary to accurately calculate the salaries by function and has repeatedly reminded the timekeepers and supervisors about the importance of correct Function Code assignments. Because the employee's function code is critical to the Department's claiming of salary costs to the correct function, and allocation of cost, we recommend that the Department take additional steps to ensure that the employees' function code is properly assigned and coded. Management should then measure the Department's progress of reducing the number of employees on the Final Missing Function Report.

County Response

We plan to implement a Function Code System where all employee salary and function code information will be placed in a database. This database would be tied into the data maintained by Item Control and would ensure accurate function code information. This system will also allow us to assign a function code for those employees with no function code. We plan to have this system implemented by September 30, 2001.

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DEPARTMENT OF HEALTH SERVICES

Patient File Maintenance

Harbor/UCLA Medical Center

While reviewing patient files at Harbor/UCLA Medical Center hospital we noted the following:

1. One patient file did not contain an Accounts Receivable Billing ID, or ARBI. The client indicated that the form would be requested from the Hospital.
2. One medical folder at the facility could not be located. The facility mentioned that the file was at an off-site location but as of the end of fieldwork 7/00, the facility was unable to provide the auditor with the medical folder.
3. One patient discharge 1/13/00 did not have a TAR on file. A request for a TAR was made on 6/16/00 but was not received through the end of fieldwork in 7/00.

While we understand, that the maintenance of complete patient files is an arduous task, we believe that timely maintenance of TARs, ARBIs and discharge summaries are imperative for complete record keeping and reimbursement. Although these documents may not be the sole documents used in the County's billing process, we understand that Harbor/UCLA hospital policy is to maintain these specific documents in each of the patients' files. In more severe cases, loss or misplaced documents could possibly lead to loss of Medi-Cal reimbursement and litigation.

Harbor /UCLA Medical Center should ensure that an effective patient file tracking system is maintained or that back-up documents can be accessed within a reasonable amount of time. In our third finding, noted above, requesting the TAR six months after the discharge date appears to be an absorbent amount of time. Tracking of patient file documents is critical because of possible liability, accurate billing and reimbursement and availability of critical medical information.

County Response

1. *We concur. The ARBI document is an internal document used to facilitate the billing process; however, these documents are not required to submit the actual billing. Patient Financial Services (PFS) staff enters billing data into the Hospital Information System (HIS). HIS also automatically assigns Accounts Receivable Billing ID numbers to each*



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case. Patient information may be retrieved from HIS in those situations when the ID and the ARBI are not in the file. The cases listed were all billed and paid, and there is no loss of revenue reimbursement for these cases.

- 2. As a result of the findings, we searched the case in question and the file was found.*
- 3. We concur. TAR's are prepared by the Utilization Review and presented to the State for review and approval. The facility must then wait until the State reviews and approves the TAR. This process may take several months because the State is backlogged in its review of the TARS. It is possible that the TAR had not been approved by the State at the time of the audit. Subsequently, the case has been billed and paid and a copy of the TAR is on file.*

Similar Findings For the Following Were Noted in the Prior Year Audit

Martin Luther King, Jr. Hospital (MLK)

While reviewing patient files at Martin Luther King, Jr. hospital we noted the following:

1. Hospital management was unable to locate and provide a copy of neither a general consent form, nor a physician order for one of the selected patients. A second patient file did not contain a list of procedures performed on the client. A replacement printout was generated for the auditor and placed in the billing file.
2. Hospital management was unable to locate a discharge summary for one patient. For a second patient, the discharge summary maintained in the file was incorrect and the physicians signature was missing from the summary.
3. MLK management was unable to locate one patient medical file selected for testwork.
4. Outstanding DRGs have increased from the prior year. MLK continues to have problems acquiring DRGs within a reasonable time. MLK had 112 DRGs outstanding as of 6/26/00 compared with 57 DRGs outstanding as of 6/9/99. This represents a 96% increase in outstanding DRGs between fiscal years 98-99 and 99-00.

County Response

- 1. We concur. The general consent and physician orders on outpatients should be written and acquired prior to any medical treatment rendered to the patient. However, consent for outpatient treatment is not required each time the patient visits the clinic. For outpatients, consents are signed at least yearly.*



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Although the replacement printout was placed in the billing files, a list of procedure performed on the clients is noted on the encounter form and should be in the financial file for each encounter.

Hospital Management will review the present policies to assure that the legal mandates concerning consents are being met. Hospital Management will provide in-service training to the appropriate staff.

2. *We concur. The Transcription Unit of Health Information maintains electronic copies of all transcription for approximately five years on line and the remaining years are archived by the transcription vendor. When the contracted transcription service misspells or omits a word, this error may be corrected by the physician who will not sign the report until the correction is completed.*

Hospital Management will assure Health Information Management reconciles the transcription vendors' discharge summary with the physician corrected summary and place it in the patient record in a timely manner. In addition, Health Information Management will assure immediate retrieval of corrected summary upon request.

Target Date for full implementation: July 2, 2001.

3. *We concur. Hospital Management will assure that Health Information Management will use the Chart Tracking module of the Affinity MRC to check out all patient records to a responsible party. Responsible parties are required to return records promptly after use so that the medical record is available for other caregivers.*
4. *We concur. Hospital Management plans to use the recent pool of graduates from the LAC/Local 660 training coding program to provide this vital service to fill these needed positions. This training program is part of the 1115 Waiver staff re-training program and is an on-going training program that provides candidates for medical recording abstracting and coding.*



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LAC+USC Medical Center

While reviewing patient files at LAC+USC Medical Center hospital we noted the following:

1. Four of the six medical folders requested were unable to be located by the management of the hospital. Approximately one month subsequent to the end of fieldwork three of the four missing files were located.
2. During our audit of the County's Comprehensive Health Centers, we again noted that the Hospital still had a significant number of TARS outstanding. KPMG obtained a list of document requests for LAC+USC and found that there were 3,770 TARs outstanding as of 6/29/00, compared to 3,021 TARS outstanding as of 6/9/99. This amount represents a 25% increase in outstanding TARs between fiscal years 98-99 and 99-00. We also obtained a list of outstanding Diagnostic Rate Groups (DRGs) and found that there were 155 DRGs outstanding as of 6/26/00, compared with 90 DRGs outstanding as of 6/9/99. This amount represents a 72% increase in outstanding DRGs between fiscal years 98-99 and 99-00.

County Response

1. *We concur. LAC+USC Medical Center has an existing chart tracking system that was adopted by the facility in 1993. However, we will continue to stress improvement in the chart tracking process.*
2. *We concur. The reason for the increase in the number of outstanding TARS is the decrease in the Medi-Cal on site staff. The Utilization Review Department provides a weekly report to the Medi-Cal Field Office of the number of TARS requiring State review. Early this year the Field Office asked for information about the number of Medi-Cal patients admitted to the Medical Center in order to request additional staff for the review. The outcome is still pending.*

There were 22 outstanding DRG requests from the CBO as of February 20, 2001. The decrease is due to a weekly report, initiated in November 2000, that allows Health Information Management to provide the information timely. We expect to maintain this decrease.

* * * * *



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A discussion of the limitations of this letter and the comments it contains is as follows:

NATURE OF THE LETTER AND ITS LIMITATIONS

As part of our audit of the general purpose financial statements, we performed a study and evaluation of the County's system of internal accounting controls to the extent we consider necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation is to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the County's general purpose financial statements. Our study and evaluation is more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole. County management is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments made by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of the changes in conditions or that the degree of compliance with the procedures may deteriorate.

A study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, an expression of an opinion on the system on internal accounting control taken as a whole cannot be made.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the County of Los Angeles during the course of the audit. We would be pleased to discuss the comments in this letter with you at your convenience.



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This report is intended solely for the information of and use by the Board of Supervisors, County management and others within the County.

Very truly yours,

KPMG LLP



MARK FINUCANE, Director

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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Fifth District

March 29, 2001

TO: Alan T. Sasaki
Auditor-Controller

Attention John Naimo

FROM: Mark Finucane 
Director of Health Services

SUBJECT: **SINGLE AUDIT MANAGEMENT FINDINGS**

We have reviewed the findings and recommendations made by the contract auditors in their evaluation of the County's compliance with the federal financial assistance program requirements for the year ended June 30, 2000.

We concur with most of the findings and have taken or are taking appropriate actions. However, LAC+USC Management disagrees with findings relative to a patient's file that was understated by \$7,000.

If you have any questions or require additional information, please let me know or your staff may contact Sachi Hamai at 240-7901.

MF:sm

Attachment

c: Fred Leaf
Gary Wells
Gail Anderson, Jr., M.D.

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

SUBJECT: **SINGLE AUDIT MANAGEMENT FINDINGS (FISCAL YEAR 1999-2000)**

HARBOR/UCLA MEDICAL CENTER

While reviewing patient file at Harbor/UCLA Medical Center hospital we noted the following:

Patient File Maintenance

Finding:

- One patient file did not contain an Accounts Receivable Billing ID or ARBI. The client indicated that the form would be requested from the Hospital.

DHS Response:

We concur. The ARBI document is an internal document used to facilitate the billing process; however, these documents are not required to submit the actual billing. Patient Financial Services (PFS) staff enters billing data into the Hospital Information System (HIS). HIS also automatically assigns Accounts Receivable Billing ID numbers to each case. Patient information may be retrieved from HIS in those situations when the ID and the ARBI are not in the file. The cases listed were all billed and paid, and there is no loss of revenue reimbursement for these cases.

Finding:

- There was no discharge summary on file for one patient.

DHS Response:

A review of the patient's record showed a discharge summary in the record for the named patient for each of the admissions in January 24, 2000 and February 3, 2000. Since service dates were not provided, we are unable to ascertain which discharge summary was missing.

Finding:

- One medical folder at the facility could not be located. The facility mentioned that the file was at an off-site location, but as of the end of fieldwork July 2000, the facility was unable to provide the Auditor with the medical folder.

DHS Response:

As a result of the findings, we searched the case in question and the file was found.

Finding:

- One patient discharged January 13, 2000 did not have a TAR on file. A request for a TAR was made on June 16, 2000 but was not received.

DHS Response:

We concur. TAR's are prepared by Utilization Review and presented to the State for review and approval. The facility must then wait until the State reviews and approves the TAR. This process may take several months because the State is backlogged in its review of the TARS. It is possible that the TAR had not been approved by the State at the time of the audit. Subsequently, the case has been billed and paid and a copy of the TAR is on file.

MARTIN LUTHER KING, JR./DREW HOSPITAL (MLK)

While reviewing patient files at MLK, we noted the following:

Finding:

- Hospital management was unable to locate and provide a copy of neither a general consent form, nor a physician order for one of the selected patients. A second patient file did not contain a list of procedures performed on the client. A replacement printout was generated for the auditor and placed in the billing file.

DHS Response:

We concur. The general consent and physician orders on outpatient should be written and acquired prior to any medical treatment rendered to the patient. However, consent for outpatient treatment is not required each time the patient visits to the clinic. For outpatients, consents are signed at least yearly.

Although the replacement printout was placed in the billing files, a list of procedures performed on the clients is noted on the encounter form and should be in the financial file for each encounter.

Hospital Management will review the present policies to assure that the legal mandates concerning consents are being met. Hospital Management will provide in-service training to the appropriate staff.

Finding:

- Hospital Management was unable to locate a discharge summary for one patient. For a second patient, the discharge summary maintained in the file was incorrect and the physician signature was missing from the summary.

DHS Response:

We concur. The Transcription Unit of Health Information maintains electronic copies of all transcription for approximately five years on line and the remaining years are archived by the transcription vendor. When the contracted transcription service misspells or omits a word, this error may be corrected by the physician who will not sign the report until the correction is completed.

Hospital Management will assure Health Information Management reconciles the transcription vendors' discharge summary with the physician corrected summary and place it in the patient record in a timely manner. In addition, Health Information Management will assure immediate retrieval of corrected summary upon request.

Target Date for Full Implementation: July 2, 2001

Finding:

- MLK management was unable to locate one patient medical file selected for test work.

DHS Response:

We concur. Hospital Management will assure that Health Information Management will use the Chart Tracking module of the Affinity MRC to check out all patient records to a responsible party. Responsible parties are required to return records promptly after use so that the medical record is available for other care givers.

Finding:

- Outstanding DRGs have increased from the prior year. MLK continues to have problems acquiring DRGs within a reasonable time. MLK had 112 DRGs outstanding as of June 26, 2000 compared with 57 DRGs outstanding as of June 9, 1999. This represents a 96% increase in outstanding DRGs between fiscal year 98-99 and 99-00.

DHS Response:

We concur. Hospital Management plans to use the recent pool of graduates from the LAC/Local 660 training coding program to provide this vital service to fill these needed

positions. This training program is part of the 1115 Waiver staff re-training program and is an on-going training program that provide candidates for medical recording abstracting and coding.

LAC+USC MEDICAL CENTER

While reviewing patient files at LAC+USC Medical Center hospital, we noted the following:

Finding:

- Four of the six medical folders requested were unable to be located by the management of the hospital. Approximately one month subsequent to the end of fieldwork three of the four missing files were located.

DHS Response:

We concur. LAC+USC Medical Center has an existing chart tracking system that was adopted by the facility in 1993. However, we will continue to stress improvement in the chart tracking process.

Finding:

- During our audit of the LAC+USC Healthcare Network, we again noted that the hospital still had a significant number of TARS outstanding. KPMG obtained a list of document requests for LAC+USC and found that there were 3,770 TARS outstanding as of June 29, 2000, compared to 3,021 TARS outstanding as of June 9, 1999. This amount represents a 25% increase in outstanding TARS between Fiscal Years 1998-99 and 1999-00. We also obtained a list of outstanding Diagnostic Rate Groups (DRGs) and found that there were 155 DRGs outstanding as of June 26, 2000, compared with 90 DRGs outstanding as of June 9, 1999. This amount represents a 72% increase in outstanding DRGs between Fiscal Years 1998-99 and 1999-00.

DHS Response:

We concur. The reason for the increase in the number of outstanding TARS is the decrease in the Medi-Cal on-site staff. The Utilization Review Department provides a weekly report to the Medi-Cal Field Office of the number of TARS requiring State review. Early this year the Field Office asked for information about the number of Medi-Cal patients admitted to the Medical Center in order to request additional staff for the review. The outcome is still pending.

There were 22 outstanding DRG requests from the CBO as of February 20, 2001. The decrease is due to a weekly report, initiated in November 2000, that allows Health Information Management to provide the information timely. We expect to maintain this decrease.

Finding:

- One patient's file was understated by approximately \$7,000. Although the amount is not material, KPMG notes that the billing department did not detect the error.

DHS Response:

We disagree. KPMG did not provide specific information concerning the understatement of the \$7,000. However, based on our review of the account, the total charges for the patient were \$37,160, which included nine days of acute medical services and five days of psychiatric services. The account was billed to the Medicare Program through our fiscal intermediary Blue Cross. However, since the medical services and psychiatric services are billed under different provider numbers, two claims were submitted to Blue Cross (\$30,870 medical and \$6,290 psychiatric).



County of Los Angeles
Department of Public Social Services

Lynn W. Bayer
Director

February 28, 2001

J. Tyler McCauley, Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

SINGLE AUDIT MANAGEMENT FINDINGS

My Department has reviewed the excerpt (attached) from the Single Audit Management finding related to the Medi-Cal Program.

We agree with the finding. However, the reference to Time Study in the third sentence of the first paragraph is incorrect and should be deleted. The information is not used to enter information into the Time Study. The information is used to report the salary amount for each function code on the County Expense Claim.

In the second paragraph of the excerpt, we request deletion of the two references to Time Study. The first sentence should read in part, "We understand that the Department is aware of the increasing amount of manual input necessary to accurately calculate the salaries by function and has repeatedly..." The second sentence should read in part, "Because the employee's function code is critical to the Department's claiming of salary costs to the correct function, and allocation of cost..."

We plan to implement a Function Code System where all employee salary and function code information will be placed in a database. This database would be tied into the data maintained by Item Control and would ensure accurate function code information. This system will also allow us to assign a function code for those employees with no function code. We plan to have this system implemented by September 30, 2001.

Very truly yours,


Lynn W. Bayer, Director

for: LWB:aj

Attachment

DEPARTMENT OF PUBLIC SOCIAL SERVICES

Medi-Cal Program

During our audit of the Medicaid Program Cluster, we selected twenty-five (25) employees from the Department's Random Moment Time Study and noted that three (3) employees were not included in either the Monthly or Quarterly Job Function Code Reports. Because the employees had missing function codes, they were included in the Final Missing Function Report. This report is used by the Department to manually enter missing information into the Time Study. Research must be performed on each employee on the Final Missing Function Report to ascertain the correct job function code. For the month of November 1999 (the month selected for testwork), we noted the Final Missing Function Report consisted of 168 pages.

We understand that the Department is aware of the increasing amount of manual input necessary to accurately complete the Time Study and has repeatedly reminded the timekeepers and supervisors about the importance of correct Function Code assignments. Because the employee's function code is critical to the Department's Time Study, and allocation of cost, we recommend that the Department take additional steps to ensure that the employees' function code is properly assigned and coded. Management should then measure the Department's progress of reducing the number of employees on the Final Missing Function Report.

County Response
